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C O N F I D E N T I A L SECTION 01 OF 03 CARACAS 001008

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TAGS: [PGOV](#) [KDEM](#) [VE](#)
SUBJECT: CHAVEZ WORKING ON MANY FRONTS, SLOW TO USE
ENABLING LAW

REF: A. CARACAS 62
[1](#)B. CARACAS 219
[1](#)C. CARACAS 906
[1](#)D. CARACAS 554
[1](#)E. CARACAS 235
[1](#)F. CARACAS 321
[1](#)G. CARACAS 302
[1](#)H. CARACAS 426
[1](#)I. CARACAS 657
[1](#)J. CARACAS 907 AND PREVIOUS
[1](#)K. CARACAS 968
[1](#)L. CARACAS 404

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[1](#)M. CARACAS 264

Classified By: POLITICAL COUNSELOR ROBERT DOWNES FOR 1.4 (D)

[1](#)1. (C) Summary: Since January, President Chavez has tried to radicalize and deepen his "revolution" on many fronts, nationalizing key sectors of the economy, politicizing the armed forces, pushing the creation of a single revolutionary party, and strengthening ties with countries such as Iran, Belarus, and Russia. Nevertheless, he has been slow to use the sweeping decree authority granted to him by the Enabling Law, which was initially billed as the "direct route to socialism," and promised implementation of "profound" legislative and constitutional proposals has not occurred. The delay in implementing these key pieces of Chavez' socialist agenda amidst a dizzying array of other initiatives suggests that Chavez' closest advisers and the BRV bureaucracy (not known for its efficiency) are overwhelmed by the President's ambitious agenda. Still, we take Chavez at his word that he means to further radicalize and deepen his "revolution." It remains a question of when, rather than where he is going. End Summary.

Chavez Starts Year Off Strong

[1](#)2. (C) President Chavez announced an ambitious agenda in early January, including his "five motors of socialist transformation," by which he intended to quickly radicalize and deepen his "revolution" (Ref A). He set four of the five motors into motion quickly. The Enabling Law (the "first motor") giving Chavez power to rule by decree for eighteen months, was approved and promulgated within weeks (Ref B). Chavez almost simultaneously established a presidential committee to draft significant changes to the 1999 Constitution ("second motor"). By mid-March, some 11,000

brigade members were trained under the Morality and Enlightenment public education campaign ("third motor"), led by presidential brother and Education Minister Adan Chavez (Ref C). The BRV also re-energized its communal council program ("fifth motor"), promising to install 32,000 of them this year to address local infrastructure needs, and more recently, to ensure compliance with price controls (Ref D). (Note: The "fourth engine," the "new geometry of power," apparently will involve redistricting and creating new federal territories but still remains vaguely defined.)

13. (C) At the same time, Chavez also sought to fulfill his promises to "recover Venezuela's sovereignty," nationalizing the telephone and electric companies (Ref E-G), decreeing the nationalization of the oil sector (Ref H), re-energizing land reform efforts by seizing some 800,000 acres of land (Ref I), and dictating the closure of independent broadcaster RCTV, which he claims was run by a coup-plotting elite acting on behalf of foreign interests (read: United States, Ref J). Chavez has also directed the creation of the United Socialist Party of Venezuela (Ref K) and politicized the armed forces. On the international front, Chavez continues to portray himself as a significant anti-American leader, building on last year's campaign to strengthen Venezuela's relationship with sympathetic nations, such as Iran, Belarus, Russia, and China.

. . . But Now Starting to Lose Steam?

14. (C) Nevertheless, Chavez has moved slower than expected in using the Enabling Law, which was billed as "the direct route to socialism." In the first 100 days after receiving the broad legislative authority, Chavez passed only seven decree laws. With the exception of the first decree law commemorating his failed 1992 coup, the decree laws have

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focused on increasing state control of the economy and compensating for his administration's economic mismanagement:

--Law against Hoarding, Speculation, Boycott, and any other conduct that affects consumption of food or products submitted to price controls (Ref L): This measure criminalizes the hoarding and price speculation of food products subject to government price controls. It defines all stages of the production cycle for regulated foods as within the ambit of "public utility and the social interest." It empowers Chavez to expropriate any business that fits this sweeping definition to protect "food security and sovereignty."

--Monetary Reconversion Law: This decree, published March 6, calls for replacing the Venezuelan bolivar (Bs.) with the &bolivar fuerte8 (BsF). The new currency will enter into circulation on January 1, 2008 and will be denominated at 1/1000 of the old bolivar rate (2,150 Bs will equal 2.15 BsF). Prices must be quoted in the new currency starting October 1, 2007. The law also criminalizes raising prices in association with the conversion, punishable by fines up to USD 150,000 at the official exchange rate.

--Partial Reform of the Value Added Tax Law: In an attempt to quell Venezuela's increasing inflation rate, Chavez announced that the BRV would lower its Value Added Tax (IVA) rate by three percentage points in March and an additional two percentage points at the beginning of August 2007 in addition to increasing the number of tax free goods and services. This law was published in the Official Gazette on February 13, and had only a temporary effect on the inflation rate for March.

--Reform of the Partial Reform of the Value Added Tax Law: On February 26, a reform of the February 13 law was published in the Official Gazette. The new version included an

exoneration of the IVA for crop and animal supplements, as well as a paragraph outlining the timing and amounts of the IVA reductions. The original law apparently neglected to do this, thus negating its main purpose.

--Oil Nationalization Decree: This decree law put into motion the BRV's nationalization of the Strategic Associations in Venezuela's Orinoco belt (Ref H). The law lays out a timetable for negotiations, including a deadline of April 30 for completing the transfer process and a four-month period for companies to negotiate their continued participation in joint ventures with the state. It also gives the National Assembly two months to review the new joint agreements. After the six months, PDVSA shall expropriate any properties it has not obtained by negotiation.

--Public Sector Financial Administration: This is a reform of a 2005 law regarding the administration of public sector finances, specifically the budget process. The law requires the government to estimate the total costs of line items in its three-year budgetary proposal, as well as the potential debt levels required by each budgetary action.

15. (C) Former Science and Technology Minister Carlos Genatios (1999-2001) speculates that the slow promulgation of decree laws may be a sign that the BRV administration is either becoming increasingly incompetent, or reconsidering the political consequences of imposing too many changes at once. Genatios told Poloff that when Chavez requested his first enabling law in 1999, he emphasized to his cabinet the need to implement changes quickly while his popularity was still high. Consequently, the cabinet knew it had to be ready with laws to discuss as soon as he received the special power.

"Hurry Up!". . . "Now, Wait"

16. (C) Similarly, Chavez has also drawn out the implementation of the "second motor," constitutional reform. According to the initial time table (Ref M), the President's Constitutional Reform Commission was supposed to present proposals for changes to the 1999 Constitution to the President by late February. He was expected to review the changes and make a formal proposal to the National Assembly (NA) in mid-March. A consultative referendum would have then been held around September. The commission submitted a draft that Chavez is reviewing, however, he told the press May 5

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that there was "no need to rush" constitutional reform, and that a referendum might not be held until 2008. As always, rumors abound in Caracas. One rumor currently circulating says that the reform effort has slowed because some of Chavez' own legislators, or the Constitutional Chamber of the Supreme Court, have reservations about some of his proposed changes, including indefinite re-election. The delay will likely postpone the promulgation of many decree laws as well, since some of those laws were purportedly tied to prior changes in the constitution.

National Assembly Focused Elsewhere

17. (C) While awaiting the executive branch's guidance, the NA has done very little to advance Chavez' agenda. NA deputy Dario Vivas (Fifth Republic Movement, Capital District), for example, is reportedly developing a plan to overhaul the NA to support the implementation of Chavez' five motors and greater "popular participation" in the legislative process. The NA also abrogated a zoning law, paving the way for Chavez' fourth motor. However, most legislative activity has consisted of approving additional credits, bilateral treaties with Venezuela's "strategic partners," such as Nicaragua,

Bolivia, Iran and Belarus, and various resolutions celebrating Chavez' failed 1992 coup, denouncing "U.S. aggression" in Iraq and Iran (sic), and blasting U.S. "protection" of Luis Posada Carriles. Meanwhile, only two of the 25 bills on the NA's 2007 agenda have been approved. This does not include the languishing National Police Law, which would increase BRV control over the police while (in theory) helping to address Venezuela's spiraling crime problem. The bill remains stalled in part because of lack of guidance from the executive branch.

Comment

18. (C) Chavez has successfully launched several different initiatives, particularly in the economic sphere, where he has increased state control. However, the traditionally inefficient BRV appears to be overwhelmed by the president's ambitions, and it is starting to show. There may be a blitz of decree laws in the future, perhaps right before the enabling power expires, as Chavez has done in the past two decree law periods. Alternatively, if Chavez decides he needs an extension to the 18-month period, the 100 percent pro-Chavez National Assembly will inevitably grant it. While his ambitious program appears to be falling behind schedule, we still take him at his word that he means to further radicalize and deepen his "revolution." It still remains a question of when, rather than where he is going.

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